

Mrs. Thelma Allgood, Owner  
Allgood Health Care, Inc.  
Post Office Box 15197  
Augusta, Georgia 30919

Re: AC# 3-OBG-J7 – Orangeburg Nursing Home

Dear Mrs. Allgood:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/tdc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**ORANGEBURG NURSING HOME  
ORANGEBURG, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-OBG-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 22, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Orangeburg Nursing Home, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Orangeburg Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Orangeburg Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 22, 1998

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**ORANGEBURG NURSING HOME**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-OBG-J7

Interim reimbursement rate (1)	\$76.46
Adjusted reimbursement rate	<u>74.45</u>
Decrease in reimbursement rate	\$ <u><u>2.01</u></u>

(1) Interim reimbursement rate obtained from the South Carolina  
Department of Health and Human Services

**ORANGEBURG NURSING HOME**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods Beginning October 1, 1998  
AC# 3-OBG-J7

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.84	\$46.64	
Dietary		8.96	9.93	
Laundry/Housekeeping/Maint.		<u>6.15</u>	<u>8.11</u>	
Subtotal	<u>\$4.53</u>	47.95	64.68	\$47.95
Administration & Med. Rec.	<u>\$3.62</u>	<u>7.28</u>	<u>10.90</u>	<u>7.28</u>
Subtotal		55.23	<u>\$75.58</u>	55.23
<u>Costs Not Subject to Standards:</u>				
Utilities		2.08		2.08
Special Services		-		-
Medical Supplies & Oxy.		3.28		3.28
Taxes and Insurance		2.04		2.04
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$62.63</u>		62.63
Inflation Factor (3.60%)				2.25
Cost of Capital				7.57
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.19
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(4.97)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$74.45</u>

**ORANGEBURG NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,038,692	\$ -	\$ 14,638(6) 835(6)	\$1,023,219
Dietary	280,941	-	1,792(6)	279,149
Laundry	58,154	-	688(6)	57,466
Housekeeping	83,961	3,797(5)	1,197(6)	86,561
Maintenance	45,920	2,046(5)	2(4) 344(6)	47,620
Administration & Medical Records	287,603	2,912(5)	41,162(2) 22,052(4) 508(6)	226,793
Utilities	57,219	5,158(1) 2,549(5)	-	64,926
Special Services	-	-	-	-
Medical Supplies & Oxygen	102,309	-	-	102,309
Taxes & Insurance	61,055	2,603(5)	21(4)	63,637
Legal Fees	-	-	-	-
Cost of Capital	231,177	10,709(5) 3,652(8)	8,649(3) 57(4) 827(7)	236,005
Subtotal	2,247,031	33,426	92,772	2,187,685



**ORANGEBURG NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Credit	Adjusted Totals
Ancillary	19,376	-	-	19,376
Non-Allowable	263,768	41,162(2) 8,649(3) 22,132(4) 20,002(6) 827(7)	24,616(5) 3,652(8)	328,272
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$2,530,175</u>	<u>\$126,198</u>	<u>\$121,040</u>	<u>\$2,535,333</u>
Total Patient Days *	<u>31,156</u>	<u>-</u>	<u>-</u>	<u>31,156</u>
Total Beds	<u>88</u>			

\* Adjusted to 97% occupancy

**ORANGEBURG NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Utilities	\$ 5,158	
	Equity		\$ 5,158
	To correct beginning utilities expense reversal HIM-15-1, Section 2302.1		
2	Nonallowable	41,162	
	Administration		41,162
	To properly state administrative salaries HIM-15-1, Section 2304 HIM-15-1, Section 2102.3		
3	Other Equity	115,402	
	Nonallowable	8,649	
	Fixed Assets		4,229
	Accumulated Depreciation		111,173
	Cost of Capital		8,649
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	22,132	
	Cost of Capital		57
	Maintenance		2
	Administration		22,052
	Taxes, Insurance, and Licenses		21
	To adjust home office cost allocation to allowable HIM-15-1, Section 2150.2A State Plan, Attachment 4.19D		

**ORANGEBURG NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	3,797	
	Maintenance	2,046	
	Administration	2,912	
	Utilities	2,549	
	Taxes, Insurance and Licenses	2,603	
	Cost of Capital	10,709	
	Nonallowable		24,616
	To reverse DHHS step-down adjustment HIM-15-1, Section 2328 State Plan, Attachment 4.19D		
6	Nonallowable	20,002	
	Nursing		14,638
	Restorative		835
	Dietary		1,792
	Laundry		688
	Housekeeping		1,197
	Maintenance		344
	Administration		508
	To properly state employee health insurance HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Accumulated Depreciation	19,219	
	Nonallowable	827	
	Cost of Capital - Depreciation Expense		827
	Other Equity		19,219
	To adjust accumulated depreciation and depreciation expense to allowable State Plan, Attachment 4.19D		

**ORANGEBURG NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	3,652	3,652
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
<u>MEMO ADJUSTMENT</u>			
To change the number of old beds/new beds from 73/15 to 74/14			
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$260,819</u>	<u>\$260,819</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**ORANGEBURG NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>74</u>	<u>14</u>	
Deemed Asset Value	2,521,106	476,966	
Improvements Since 1981	503,247	5,424	
Accumulated Depreciation at 9/30/97	<u>(859,665)</u>	<u>(117,328)</u>	
Deemed Depreciated Value	2,164,688	365,062	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	145,034	24,459	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	145,034	24,459	
Depreciation Expense	54,492	12,020	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	199,526	36,479	\$236,005
Total Patient Days (Minimum 97% Occupancy)	<u>26,199</u>	<u>4,957</u>	<u>31,156</u>
Cost of Capital Per Diem	\$ <u><u>7.62</u></u>	\$ <u><u>7.36</u></u>	\$ <u><u>7.57</u></u>

**ORANGEBURG NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OBG-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.81	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.80</u>	<u>\$7.36</u>
Reimbursable Cost of Capital Per Diem		*\$8.57
Cost of Capital Per Diem		<u>7.57</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>
*(\$8.80 x 26,199 + 36,479) ÷ 31,156		